

Message Text

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INFO OCT-01 ARA-11 EUR-25 ADP-00 OMB-01 CIAE-00 DODE-00

PM-09 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SS-15 USIA-12 AID-20 TRSE-00 SIL-01 LAB-06

EB-11 COME-00 RSR-01 /156 W
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R 022232 Z APR 73

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 7080

INFO USUN NEW YORK 359

AMEMBASSY BELGRADE

C O N F I D E N T I A L PANAMA 1844

E. O. 11652: GDS

TAGS: PFOR, UN, PN, YO, ELAB, ENRG, EAID

SUBJ: UNSC MEETING IN PANAMA: YUGOSLAVIAN ROLE

REF: USUN 1071

SUMMARY: YUGOSLAVS WERE PROBABLY MOTIVATED BY MORE THAN IDEOLOGY AND WORLD POLITICS WHEN THEY ASSUMED ACTIVE PRO- PANAMANIAN ROLE FOR THEMSELVES IN UNSC MEETING. YUGOSLAV STATE CONSTRUCTION COMPANY, ENERGOPROJEKT, IS FACING VERY SEVERE PROBLEMS WITH ITS OPERATIONS CONSTRUCTING WORLD BANK FINANCED BAYANO DAM NEAR PANAMA CITY AND REQUIRES PANAMANIAN GOVT. TOLERANCE AND COOPERATION. END SUMMARY.

1. EMBASSY HAS LEARNED FROM QUALIFIED THIRD- COUNTRY OBSERVOR THAT ENERGOPROJEKT IS EXPERIENCING VERY LARGE COST OVERRUNS ON BAYANO OPERATION. SOURCE SAID THAT " THE MONEY IS BEING EATEN UP BUT THE JOB IS NOT MOVING ALONG ACCORDINGLY." HE OPINED THAT PROBLEM IS DUE TO SIMPLE BAD MANAGEMENT WHICH RESULTS FROM ENERGOPROJEKT BEING SPREAD TOO THINLY ON TOO MANY UNDERTAKINGS IN OTHER COUNTRIES. ALSO, EFFICIENCY HAS BEEN
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DISRUPTED BY YUGOSLAVIAN EFFORT TO APPLY ITS DOMESTIC REFORMS TO GIVE ITS NATIONALS WORKING ON THE PROJECT LOCALLY PARTICIPATION IN PROJECT' S MANAGEMENT BY ESTABLISHING WORKERS' COMMITTEES. SOURCE REPORTED THAT COMPANY' S BELGRADE DIRECTOR HAS BEEN ASKED TO COME TO PANAMA NEXT WEEK AND THAT MAJOR CHANGES IN MANAGEMENT PRACTICES AND POSSIBLY CONTRACT CAN BE EXPECTED THEREAFTER.

2. SOURCE STATES THAT DIFFICULTIES WITH PANAMANIAN LABORERS ARE ONLY ONE OF ENERGOPROJEKT' S PROBLEMS. NONTHELESS, IT IS THE MOST NOTORIOUS, HAVING RECEIVED A GREAT DEAL OF LOCAL PUBLICITY. THERE HAS REPORTEDLY BEEN SOME LABOR- MANAGEMENT FRICTION IN PART STIMULATED BY ANTI- FOREIGN FEELINGS BY WORKERS, BUT MOST IMPORTANT HAS BEEN YUGOSLAVIAN REFUSAL TO FOLLOW PANAMANIAN PERCENTAGE REQUIREMENTS FOR HIRING PANAMANIAN CITIZENS. IN AUGUST OF LAST YEAR GOVT. REFUSED TO GIVE WORK PERMITS TO YUGOSLAV HEAVEY EQUIPMENT DRIVERS BECAUSE OF LABOR MINISTRY CLAIM THAT PANAMANIAN COULD BE TRAINED FOR JOBS. YUGOSLAVIAN GOVT. SUBSEQUENTLY SENT HIGH LEVEL DELEGATIONS TO PANAMANIAN PRESIDENTIAL INAUGURATION IN OCTOBER AND WE UNDERSTAND AS A RESULT OF TALKS THEN HEAVY EQUIPMENT AT DAM SITE IS NOW HANDLED EXCLUSIVELY BY EXPERIENCED YUGOSLAVS. WE UNDERSTAND YUGOSLAVS AT ALL PROFESSIONAL LEVELS RECEIVING VERY LOW WAGES BY LOCAL STANDARDS.

3. FINALLY, ALTHOUGH MORE IN REALM OF SPECULATION, EMBASSY NOTES THAT ENERGOPROJEKT' S ORIGINAL BID ON BAYANO PROJECT WAS CONSIDERED AT THE TIME QUITE LOW. COMPANY ALSO WON RECENT BID FOR INITIAL LAND GRADING FOR NEW INTERNATIONAL AIRPORT, ANOTHER WORLD BANK FINANCED OPERATION, WITH BID THAT WAS LITTLE MORE THAN ONE- HALF LOWEST COMPETITORS. IT IS CONCEIVABLE THAT ON BOTH CONTRACTS YUGOSLAVS HAVE BENN COUNTING ON PANAMANIAN AGREEMENT TO LATER UPWARD REVISIONS IN PRICE.

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